

**APALACHEE CENTER, INC.  
TALLAHASSEE, FLORIDA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2005 AND 2004**



**Law, Redd, Crona & Munroe, P.A.**

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Law, Redd, Crona & Munroe, P.A.  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

August 19, 2005

Board of Directors  
Apalachee Center, Inc.  
Tallahassee, Florida

We have audited the accompanying statements of financial position of Apalachee Center, Inc., as of June 30, 2005 and 2004 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Apalachee Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Apalachee Center, Inc., as of June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2005 on our consideration of Apalachee Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Apalachee Center, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Florida Single Audit Act*, and is not a required part of the basic financial statements. The accompanying other additional information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Law Redd Crona & Munroe P. A.*  
LAW, REDD, CRONA & MUNROE, P.A.

**APALACHEE CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2005 AND 2004**

<b>ASSETS</b>		
	<b>2005</b>	<b>2004</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,050,351	\$ 862,737
Accounts Receivable, Net of Allowance for Doubtful Accounts	1,868,510	1,603,410
Investments	3,443,846	3,436,869
Interest Receivable	19,665	9,850
Inventories	54,537	50,037
Prepaid Expenses	140,706	150,296
<b>Total Current Assets</b>	<b>7,577,615</b>	<b>6,113,199</b>
<b>ASSETS LIMITED AS TO USE</b>		
Investments Assigned as Security for Long-Term Debt	1,307,728	1,378,655
<b>Total Assets Limited as to Use</b>	<b>1,307,728</b>	<b>1,378,655</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>10,135,594</b>	<b>10,649,983</b>
<b>OTHER ASSETS</b>	<b>41,301</b>	<b>42,501</b>
<b>TOTAL ASSETS</b>	<b>\$ 19,062,238</b>	<b>\$ 18,184,338</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 795,182	\$ 627,927
Current Portion of Long-Term Debt	85,646	145,205
Accrued Leave	517,649	504,708
Estimated Third-Party Payor Settlements	475,000	125,000
Other Current Liabilities	32,233	57,525
<b>Total Current Liabilities</b>	<b>1,905,710</b>	<b>1,460,365</b>
<b>LONG-TERM LIABILITIES</b>		
Post-Retirement Health Obligations	392,270	313,222
Long-Term Debt	1,222,082	1,295,826
<b>Total Long-Term Liabilities</b>	<b>1,614,352</b>	<b>1,609,048</b>
<b>Total Liabilities</b>	<b>3,520,062</b>	<b>3,069,413</b>
<b>NET ASSETS</b>	<b>15,542,176</b>	<b>15,114,925</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,062,238</b>	<b>\$ 18,184,338</b>

The accompanying notes are an integral part of these financial statements.

**APALACHEE CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<b>Unrestricted</b>	
	<b>2005</b>	<b>2004</b>
<b>REVENUES:</b>		
Fees	\$ 9,191,599	\$ 9,693,297
State Contracts	7,420,369	6,305,354
County and Other Local Funds	1,002,832	770,297
Donations	50,610	74,041
Miscellaneous Income	662,460	64,802
Rental Income	29,913	65,429
Other Contract Income	34,728	18,718
<b>Total Revenues</b>	<b>18,392,511</b>	<b>16,991,938</b>
<b>EXPENSES:</b>		
<b>Program Services:</b>		
Outpatient	2,616,640	2,230,410
Community Support	1,277,208	1,633,970
Case Management	3,257,062	3,312,971
Residential	714,625	760,044
Inpatient	5,909,580	5,179,706
Florida Assertive Community Treatment	1,131,536	1,116,217
<b>Total Program Services</b>	<b>14,906,651</b>	<b>14,233,318</b>
<b>Support Services:</b>		
Administrative	3,058,609	2,865,670
<b>Total Expenses</b>	<b>17,965,260</b>	<b>17,098,988</b>
<b>Change in Net Assets</b>	<b>427,251</b>	<b>(107,050)</b>
<b>NET ASSETS - Beginning of Year</b>	<b>15,114,925</b>	<b>15,221,975</b>
<b>NET ASSETS - End of Year</b>	<b>\$ 15,542,176</b>	<b>\$ 15,114,925</b>

The accompanying notes are an integral part of these financial statements.

**APALACHEE CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 427,251	\$ (107,050)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	700,819	722,922
Provision for Bad Debt	587,212	557,616
(Gain) Loss on Sale of Assets	(292,207)	(4,796)
Net Realized and Unrealized (Gain) Loss on Investments	(116,222)	219,030
(Increase) Decrease in Assets:		
Accounts Receivable	(852,312)	(697,464)
Interest Receivable	(9,815)	42,971
Inventories	(4,500)	(4,505)
Prepaid Expenses	9,590	83,783
Deposits	(300)	110
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	167,255	(917,241)
Accrued Leave	12,941	(22,349)
Estimated Third-Party Payor Settlements	350,000	(131,567)
Other Liabilities	(25,292)	39,486
Post-Retirement Health Obligations	79,048	38,755
Net Cash Provided by (Used in) Operating Activities	<u>1,033,468</u>	<u>(180,299)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities of Short-Term Investments	2,596,545	4,527,622
Purchase of Investments	(2,416,371)	(3,596,659)
Proceeds from Sale of Property and Equipment	386,288	5,800
Purchase of Property and Equipment	(279,011)	(969,300)
Net Cash Provided by (Used in) Investing Activities	<u>287,449</u>	<u>(32,537)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(133,303)	(289,337)
Net Cash Used in Financing Activities	<u>(133,303)</u>	<u>(289,337)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,187,614	(502,173)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>862,737</u>	<u>1,364,910</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 2,050,351</u>	<u>\$ 862,737</u>
<b>Supplemental Disclosure:</b>		
Interest Paid, Net of Amounts Capitalized of \$0 and \$11,635, Respectively	<u>\$ 57,619</u>	<u>\$ 46,746</u>
Donated Services	<u>\$ 50,610</u>	<u>\$ 74,041</u>

The accompanying notes are an integral part of these financial statements.

**APALACHEE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Apalachee Center, Inc. (the Corporation) provides behavioral health services to Leon, Wakulla, Gadsden, Liberty, Franklin, Jefferson, Madison and Taylor counties in Florida. The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are summarized below:

**Financial Statement Presentation:** The Corporation is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. The Corporation has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

**Cash and Cash Equivalents:** The Corporation considers all highly liquid debt instruments, with a maturity of three months or less when purchased, to be cash equivalents. Such investments are carried at fair value.

**Investments:** The Corporation invests cash in excess of current working capital requirements in government agency securities and certificates of deposit. Investments are carried at fair value.

**Assets Limited As to Use:** Assets limited as to use are primarily designated investments set aside by the Board of Directors for future capital additions, over which the Board retains control and may at its discretion subsequently use for other purposes.

**Inventories:** Inventories consist of office supplies and pharmaceuticals that are stated at the lower of cost or market on a first-in, first-out basis.

**Property and Equipment:** The Corporation capitalizes acquisitions of property and equipment having a useful life of more than one year and a cost of at least \$500. Donated property is recorded at its approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful life of the specific asset.

**Amortization:** Hospital organization costs were capitalized and are being amortized on the straight-line method over forty years.

**Custodial Assets:** The state of Florida has provided the Corporation with funds to purchase equipment and renovations needed for certain programs and facilities. Under Chapter 65E.14 of the *Florida Administrative Code* (FAC), the State retains a pro rata ownership interest in these assets and may require the Corporation to return or reimburse the State if disposed of prior to the end of their useful lives. Depreciation is recorded on these assets for financial reporting purposes, but is considered an unallowable expense for matching purposes.

**APALACHEE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Accrued Leave:** The Corporation compensates its employees for unused vacation leave and paid leave time upon termination of employment. Further, the Corporation compensates employees with over 10 years of service for 25% of accumulated sick leave upon termination of employment. The amount of change in accrued leave for all employees from one year to the next is reported as an expense during the current year.

**Grants and Contracts:** The Corporation performs various services under three types of contracts: matching grants, cost reimbursement, and purchase of service contracts. Revenues are recognized on the basis of expenses incurred for matching grants and cost reimbursement contracts, and on a fee for service basis for purchase of service contracts. Amounts earned but not received are reported as accounts receivable. Amounts received but not earned are reported as deferred revenue.

**Net Patient Service Revenue:** The Corporation has agreements with third-party payors that provide payments to the Corporation at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from self-pay, third-party and others for services rendered.

**Donations:** Donations of goods and services are recorded as revenue and a corresponding expenditure based upon the fair value on the date of the donation. The major components of donations are personal services and the use of building space. Property and equipment donated or received from grants are recorded as capital additions with a corresponding addition to property and equipment and are depreciated accordingly.

**Charity Care:** The Corporation has a policy of providing charity care to patients who are unable to pay. Such patients are identified and related charges are negotiated, based on financial information obtained from the patient and subsequent analysis. Since management does not expect payment for charity care, the value of charges in excess of negotiated rates is excluded from revenue.

**Functional Allocation of Expenses:** The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and activities benefited.

**Taxes:** The Corporation is a not-for-profit organization as defined under Section 501(c)(3) of the *Internal Revenue Code*. No provision was made for Federal or State income taxes. The Corporation is not liable for federal unemployment compensation taxes and does not contribute to the Florida Unemployment Compensation Fund. It is liable for unemployment compensation claims as they are submitted to the Agency for Workforce Innovation.



**APALACHEE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to use estimates and assumptions based on analytical methods in determining the allowance for doubtful accounts, third-party payor settlements, depreciation and various accruals. Accordingly, actual results could differ from those estimates.

**Reclassifications:** Certain June 30, 2004 amounts have been reclassified to conform to the June 30, 2005 presentation.

**NOTE 2 – NET PATIENT SERVICE REVENUE**

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- *Medicare* – Costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Corporation is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare fiscal intermediary. The Corporation's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2003.
- *Medicaid* – The Corporation bills Medicaid for outpatient services performed. Services rendered are reimbursed by Medicaid subject to specific documentation requirements. Compliance audits are conducted periodically by the Medicaid fiscal intermediary, which can result in the recoupment of fees paid to the Corporation. The Medicaid fiscal intermediary has conducted compliance audits for periods through March 31, 2004.

The Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

**APALACHEE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Apalachee Center, Inc. maintains its operating cash accounts at several North Florida commercial banks. The total cash balances are insured by FDIC up to \$100,000 per bank. A summary of the total insured and uninsured amounts held at these banks at June 30, 2005 and 2004 follows:

	<u>2005</u>	<u>2004</u>
<b>Total Cash Held at Banks</b>	\$2,136,901	\$892,832
<b>Less: Portion Secured by FDIC</b>	<u>(107,657)</u>	<u>(101,349)</u>
<b>Uninsured Cash Balances</b>	<u>\$2,029,244</u>	<u>\$791,483</u>

**NOTE 4 – ACCOUNTS RECEIVABLE**

At June 30, 2005 and 2004 accounts receivable consisted of the following:

	<u>2005</u>	<u>2004</u>
Client Fees - First Party	\$ 232,818	\$ 253,701
Client Fees - Third Party	2,224,346	1,910,152
State Contracts	305,437	41,274
County and Other Local Funds	162,925	61,996
Other Receivables	<u>9,100</u>	<u>108,037</u>
<b>Total Accounts Receivable</b>	2,934,626	2,375,160
<b>Allowance for Doubtful Accounts</b>	<u>(1,066,116)</u>	<u>(771,750)</u>
<b>Net Accounts Receivable</b>	<u>\$1,868,510</u>	<u>\$1,603,410</u>

Medicaid reimbursements constituted approximately 26% and 30% of Client Fees - Third Party accounts receivable at June 30, 2005 and 2004, respectively.

**APALACHEE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

**NOTE 5 – INVESTMENTS**

At June 30, 2005 and 2004 investments were as follows:

	<u>Cost</u>	<u>Unrealized Gains (Losses)</u>	<u>Fair Value</u>
<b><u>2005</u></b>			
Government Agency Securities	\$4,003,162	\$(19,212)	\$3,983,950
Certificates of Deposit	<u>760,000</u>	<u>7,624</u>	<u>767,624</u>
Total Investments	<u>\$4,763,162</u>	<u>\$(11,588)</u>	4,751,574
Less: Assigned as Security for Long-Term Debt			<u>1,307,728</u>
Unrestricted Investments			<u>\$3,443,846</u>
<b><u>2004</u></b>			
Government Agency Securities	\$3,514,959	\$(149,528)	\$3,365,431
Certificates of Deposit	<u>1,425,000</u>	<u>25,093</u>	<u>1,450,093</u>
Total Investments	<u>\$4,939,959</u>	<u>\$(124,435)</u>	4,815,524
Less: Assigned as Security for Long-Term Debt			<u>1,378,655</u>
Unrestricted Investments			<u>\$3,436,869</u>

Investment return is summarized as follows:

	<u>2005</u>	<u>2004</u>
Investment Income	\$ 238,361	\$ 237,046
Net Realized Gains	4,937	(16,181)
Net Unrealized Gains (Losses)	<u>111,285</u>	<u>(202,849)</u>
Total Unrestricted Investment Income	<u>\$ 354,583</u>	<u>\$ 18,016</u>

**APALACHEE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

**NOTE 6 – PROPERTY AND EQUIPMENT**

At June 30, 2005 and 2004, property and equipment were as follows:

	<u>Lives</u>	<u>2005</u>	<u>2004</u>
Land	N/A	\$ 1,029,963	\$ 1,089,963
Buildings and Improvements	20-40	14,289,739	14,441,191
Furniture and Equipment	5-10	<u>4,519,378</u>	<u>4,514,117</u>
<b>Total Cost</b>		19,839,080	20,045,271
Less: Accumulated Depreciation		<u>(9,779,651)</u>	<u>(9,440,231)</u>
		10,059,429	10,605,040
Construction-in-Progress		<u>76,165</u>	<u>44,943</u>
<b>Total</b>		<u>\$10,135,594</u>	<u>\$10,649,983</u>

Depreciation expense for the years ended June 30, 2005 and 2004, was \$699,319 and \$717,487, respectively.

**NOTE 7 – OTHER ASSETS**

At June 30, 2005 and 2004, other assets, reported net of accumulated amortization, were comprised of:

	<u>2005</u>	<u>2004</u>
Hospital Organization Costs	\$30,000	\$31,500
Deposits	<u>11,301</u>	<u>11,001</u>
<b>Total</b>	<u>\$41,301</u>	<u>\$42,501</u>

Hospital organization costs consist of professional fees and other expenses associated with the approval of a certificate of need by the State of Florida in connection with the construction of a psychiatric acute care unit and are amortized over an estimated useful life of 40 years. Amortization expense for each year ended June 30, 2005 and 2004 was \$1,500.

Legal and accounting fees, application fees, and other expenses associated with the issuance of the Industrial Development Revenue Bonds (See Note 8) are being amortized on the straight-line method over the term of the bonds. Amortization expense for the years ended June 30, 2005 and 2004 was \$0 and \$3,935, respectively.

**APALACHEE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

**NOTE 8 – LONG-TERM DEBT**

Long-term debt is summarized as follows:

	<u>2005</u>	<u>2004</u>
Note payable to Farmers & Merchants Bank, payable in monthly installments of \$10,652 beginning January 15, 2003, including interest at 90% of prime adjusted daily (5.35% at June 30, 2005 and 3.60% at June 30, 2004); final payment due December 15, 2007; secured by assigned investments.	\$1,307,728	\$1,378,655
Mortgage payable to Bank of America, payable in monthly installments of \$18,325 beginning September 1994, including interest at 8.24% (modified effective September 9, 1996 to 7.51%); final payment August 15, 2004; collateralized by real estate.	<u>0</u>	<u>62,376</u>
<b>Total</b>	1,307,728	1,441,031
<b>Less: Current Portion</b>	<u>(85,646)</u>	<u>(145,205)</u>
<b>Total Long-Term Debt</b>	<u><u>\$1,222,082</u></u>	<u><u>\$1,295,826</u></u>

Long-term debt outstanding at June 30, 2005 matures as follows:

<b>Year Ending June 30</b>	
2006	\$ 85,646
2007	88,559
2008	<u>1,133,523</u>
Totals	<u><u>\$1,307,728</u></u>

Interest expense for the years ended June 30, 2005 and 2004 was \$57,619 and \$58,381, respectively, of which \$0 and \$11,635 was capitalized to building construction.

**NOTE 9 – CHARITY CARE**

The Corporation has a policy of providing charity care to indigent patients. These charges, which are excluded from revenues, amounted to \$7,742,481 and \$6,886,344 in 2005 and 2004, respectively, when measured at the Corporation's established rates.

**APALACHEE CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2005 AND 2004**

**NOTE 10 – EMPLOYEE BENEFITS**

***Pension Plan***

The Corporation has a money purchase pension plan that covers substantially all employees who have completed one year of service and are age 21 or older. Retirement expense includes current service costs that are accrued and funded on a current basis. The Corporation's contribution for the years ended June 30, 2005 and 2004 was \$630,729 and \$605,560, respectively.

***Post-Retirement Health Plan***

The Corporation has a post-retirement health care plan that covers substantially all employees who have completed twenty years of uninterrupted service; retire at age 55 or older; and who were covered under the Corporation's health insurance plan for the five years immediately preceding their retirement. Retired employees who qualify will be covered by the Corporation's health plan until they reach age 65 and will pay the same co-payment as regular employees. The Plan is not currently funded. The actuarially determined health care expense for the years ended June 30, 2005 and 2004 was \$110,500 and \$63,000, respectively. Premiums paid for the years ended June 30, 2005 and 2004 were \$31,452 and \$24,245, respectively. The post-retirement health obligation for the years ended June 30, 2005 and 2004 was \$392,270 and \$313,222, respectively.

The following assumptions were made to estimate the benefit obligation for each year.

1. Employees under age 35 were excluded because of the 20-year service requirement and minimum age requirement of 55.
2. The assumed annual turnover rate for employees over age 35 was graded from 19% at age 35 to 8% at age 50.
3. Only 75% of eligible retirees would elect to participate due to other spousal arrangements.
4. Only 50% of retirees will elect family coverage.
5. The assumed discount rate utilized was 6.25% and the medical inflation rate graded from 12% to 5.5% after nine years.
6. The assumed rates of retirement by age group were as follows:

Age	Rate	Age	Rate
55	5%	61	10%
56	2%	62	25%
57	2%	63	10%
58	2%	64	10%
59	2%	65	100%
60	10%		

**APALACHEE CENTER, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004**

**NOTE 11 – SELF-INSURANCE**

The Corporation has elected to self-insure for unemployment compensation claims. Claims paid for the years ended June 30, 2005 and 2004 were \$32,772 and \$17,774, respectively.

**NOTE 12 – CONCENTRATIONS**

The Agency for Health Care Administration, Florida's Medicaid administrative agency, has issued a request for proposal, which is designed to manage utilization and costs of the Florida Medicaid program. The Corporation is participating in a joint venture with other providers to secure this contract. Whether or not the Corporation and its joint venture partners or a competing vendor wins the contract, it could have a substantial affect on future Medicaid revenue. Management estimates that only 40% of the Corporation's total Medicaid revenue (\$6.2 million for 2004/2005) would be affected by the new contract. The effects on fiscal year 2005/2006 Medicaid revenue are undeterminable at this time.

**ADDITIONAL INFORMATION**



**APALACHEE CENTER, INC.**  
**SCHEDULES OF DETAILED REVENUES**  
**FOR THE YEARS ENDED JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
<b>STATE CONTRACTS</b>		
Baker Act Adult	\$ 917,759	\$ 1,026,696
Baker Act Children	92,157	0
Adult Mental Health	3,868,661	2,907,673
Adult Substance Abuse	786,490	786,490
Children's Mental Health	205,553	0
Temporary Assistance for Needy Families	190,837	226,393
Florida Assertive Community Treatment (FACT)	999,994	999,994
FACT Medications and Housing Subsidy	254,400	254,400
Child and Adult Care Food	86,871	98,075
Other State Agency Contracts	<u>17,647</u>	<u>5,633</u>
<b>Total State Contracts</b>	<u>7,420,369</u>	<u>6,305,354</u>
<b>COUNTY AND OTHER LOCAL FUNDS</b>		
School Boards	137,280	127,040
Boards of County Commissioners	<u>865,552</u>	<u>643,257</u>
<b>Total County and Other Local Funds</b>	<u>1,002,832</u>	<u>770,297</u>
<b>DONATED SERVICES</b>	50,610	74,041
<b>MISCELLANEOUS INCOME</b>	662,460	64,802
<b>RENTAL INCOME</b>	29,913	65,429
<b>OTHER CONTRACT INCOME</b>	34,728	18,718
<b>CLIENT FEES</b>	<u>9,191,599</u>	<u>9,693,297</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 18,392,511</u></u>	<u><u>\$ 16,991,938</u></u>

See independent auditor's report.

**SCHEDULES OF FUNCTIONAL EXPENSES**

	RESIDENTIAL			INPATIENT					Total Expenses
	Room & Board w/ Supervision	Residential Level 4	Total	Detox	Crisis Support	Crisis Stabilization	Inpatient	Total	
<b>PERSONNEL SERVICES</b>									
Salaries	\$231,213	\$38,816	\$270,029	\$332,557	\$361,052	\$862,420	\$974,042	\$2,530,071	\$8,364,368
Fringe Benefits	83,552	15,394	98,946	88,937	88,199	209,875	264,499	651,510	2,660,489
<b>Total Personnel Services</b>	<b>314,765</b>	<b>54,210</b>	<b>368,975</b>	<b>421,494</b>	<b>449,251</b>	<b>1,072,295</b>	<b>1,238,541</b>	<b>3,181,581</b>	<b>11,024,857</b>
<b>EXPENSES</b>									
Building Occupancy	63,920	98,118	162,038	83,603	44,007	195,726	182,024	505,360	1,659,860
Professional Services	14,877	0	14,877	51,673	8	252,490	257,668	561,839	1,188,255
Travel	0	0	0	298	19	2,376	1,478	4,171	104,528
Equipment Costs	6,955	3,060	10,015	8,363	5,374	17,087	40,823	71,647	537,715
Food Services	84,539	113	84,652	71,452	0	142,538	107,276	321,266	521,549
Medical and Pharmacy	3,790	49	3,839	78,560	300	299,243	169,114	547,217	655,789
Insurance	11,450	4,360	15,810	44,716	9,422	115,679	89,885	259,702	501,023
Interest	0	0	0	0	0	0	0	0	57,619
Operating Supplies and Expenses	27,540	8,598	36,138	28,290	8,538	54,514	104,296	195,638	828,677
Other	0	0	0	0	0	0	0	0	247,692
Donated Items	200	0	200	22,923	0	26,479	0	49,402	50,480
Bad Debt Expense	9,954	8,127	18,081	4,095	2,761	1,894	203,007	211,757	587,216
<b>Total Operating Expenses</b>	<b>223,225</b>	<b>122,425</b>	<b>345,650</b>	<b>393,973</b>	<b>70,429</b>	<b>1,108,026</b>	<b>1,155,571</b>	<b>2,727,999</b>	<b>6,940,403</b>
<b>TOTAL EXPENSES</b>	<b>\$537,990</b>	<b>\$176,635</b>	<b>\$714,625</b>	<b>\$815,467</b>	<b>\$519,680</b>	<b>\$2,180,321</b>	<b>\$2,394,112</b>	<b>\$5,909,580</b>	<b>\$17,965,260</b>

See independent auditor's report.

	RESIDENTIAL			INPATIENT				Total Expenses
	Room & Board w/ Supervision	Residential Level 4	Total	Detox	Crisis Support	Crisis Stabilization	Inpatient	
<b>PERSONNEL SERVICES</b>								
Salaries	\$228,549	\$42,345	\$270,894	\$316,857	\$290,359	\$613,643	\$981,450	\$7,897,182
Fringe Benefits	83,832	16,638	100,470	82,641	88,151	155,399	273,703	2,495,128
<b>Total Personnel Services</b>	<b>312,381</b>	<b>58,983</b>	<b>371,364</b>	<b>399,498</b>	<b>378,510</b>	<b>769,042</b>	<b>1,255,153</b>	<b>10,392,310</b>
<b>EXPENSES</b>								
Building Occupancy	71,606	112,692	184,298	66,089	41,206	106,164	195,882	1,587,044
Professional Services	12,802	17	12,819	74,708	896	188,376	294,377	1,235,418
Travel	12	0	12	382	250	2,314	1,167	119,296
Equipment Costs	15,134	4,981	20,115	8,507	5,130	13,573	44,804	616,641
Food Services	98,487	99	98,586	76,423	159	117,057	118,004	522,069
Medical and Pharmacy	9,420	147	9,567	106,960	5	170,381	166,856	723,996
Insurance	6,819	2,866	9,685	26,880	4,463	40,337	60,918	312,004
Interest	0	0	0	0	0	0	0	46,746
Operating Supplies and Expenses	28,469	9,821	38,290	18,326	7,373	30,586	90,717	911,807
Donated Items	6,998	0	6,998	30,402	0	33,605	971	74,041
Bad Debt Expense	2,276	6,034	8,310	1,283	4,837	0	227,135	557,616
<b>Total Operating Expenses</b>	<b>252,023</b>	<b>136,657</b>	<b>388,680</b>	<b>409,960</b>	<b>64,319</b>	<b>702,393</b>	<b>1,200,831</b>	<b>6,706,678</b>
<b>TOTAL EXPENSES</b>	<b>\$564,404</b>	<b>\$195,640</b>	<b>\$760,044</b>	<b>\$809,458</b>	<b>\$442,829</b>	<b>\$1,471,435</b>	<b>\$2,455,984</b>	<b>\$17,098,988</b>

**APALACHEE CENTER, INC.**  
**SCHEDULE OF UNALLOWABLE EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

These expenses, although "unallowable" for state participation and matching purposes, are considered by management as ordinary and necessary operating expenses of the Corporation.

<b>Description</b>	<b>Unallowable Expenses</b>
Bad debts FAC 65E-14.017(4)(b)	\$ 587,212
Excess salaries FAC 65E-14.017(4)(f)3.	244,319
Fringe benefits FAC 65E-14.0-17(4)(f)4.b.	101,686
Depreciation of assets acquired with federal and state funds FAC 65E-14.017(4)(i).	20,948
IRS penalties FAC 65E-14.017(4)(n)	3,002
Board member honorariums FAC 65E-14.017(4)(w)	9,600
Professional service costs FAC 65E-14.017(4)(cc)	50,100
Unallowable auto and expense allowance FAC 65E-14.017(4)(rr)	4,330
Interest income offset to interest expense FAC 65E-14.017(2)(e)	<u>57,617</u>
<b>Total Unallowable Expenses</b>	<b><u>\$ 1,078,814</u></b>

See independent auditor's report.

**APALACHEE CENTER, INC.  
SCHEDULE OF STATE EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

Total Expenses	\$ 17,965,260
Less Other State and Federal Funds:	
Child & Adult Care Food	(86,871)
IDP Drug Program - Line of Credit	(101,608)
Florida Assertive Community Treatment (FACT)	(999,994)
FACT Medications and Housing Subsidy	(254,400)
Other State Contracts	(17,647)
Net Medicaid Earnings	(5,678,897)
Less Non-Match SAMH Funds	(2,351,425)
Less Unallowable Costs	<u>(1,078,814)</u>
Total Allowable Expenses	<u>\$ 7,395,604</u>
Maximum Available Earnings (75% of Allowable)	<u>\$ 5,546,703</u>
Amount of State Funds Requiring Match	<u>\$ 3,608,424</u>
Amount Due to Department of Children & Families	<u>\$ 0</u>

See independent auditor's report.



**SCHEDULES OF PROGRAM / COST CENTER ACTUAL REVENUES AND EXPENSES**



# STATE-DESIGNATED SAMH COST CENTERS

## STATE SAMH-FUNDED COST CENTERS

### ADULT MENTAL HEALTH

FUNDING SOURCES & REVENUES	Residential Level 4	Room & Board w/Supervision Level 2	FACT	Program Total	Total	Crisis Stabilization	Crisis Support	Program Total	Non-State-Funded SAMH Cost Centers	Total	Non-SAMH Cost Center	Total Funding
STATE SAMH FUNDING FROM THE DISTRICT FUNDING CONTRACT NUMBER BHQ13	\$146,819	\$673,349	\$1,254,394	\$6,231,651	\$7,018,141	\$211,848	\$85,862	\$297,710	\$0	\$7,315,851	\$0	\$7,315,851
OTHER GOVERNMENT FUNDING												
Other State Agency Funding	0	0	6,409	6,409	6,409	0	0	0	0	6,409	98,110	104,519
Medicaid	0	0	0	5,672,561	5,678,898	0	0	0	0	5,678,898	0	5,678,898
Local Government	0	0	0	701,748	1,002,832	0	0	0	0	1,002,832	0	1,002,832
TOTAL OTHER GOVERNMENT FUNDING	0	0	6,409	6,380,718	6,688,139	0	0	0	0	6,688,139	98,110	6,786,249
OTHER REVENUES												
First & Second Party Payments	35,579	114,720	0	197,381	199,503	0	0	0	177,432	376,935	0	376,935
Third Party Payments (Other Than Medicare)	0	0	0	186,681	224,718	0	0	0	586,641	811,359	0	811,359
Medicare	0	0	0	264,683	264,683	0	0	0	1,918,376	2,183,059	0	2,183,059
Other	0	0	0	0	0	0	0	0	0	0	868,578	868,578
In-kind Donations	0	200	0	27,557	50,480	0	0	0	0	50,480	0	50,480
TOTAL OTHER REVENUES	35,579	114,920	0	676,302	739,344	0	0	0	2,682,449	3,421,833	868,578	4,290,411
TOTAL FUNDING	\$182,398	\$788,269	\$1,260,803	\$13,288,671	\$14,445,664	\$211,848	\$85,862	\$297,710	\$2,682,449	\$17,425,823	\$966,688	\$18,392,511

STATE-DESIGNATED SAMH COST CENTERS

STATE SAMH-FUNDED COST CENTERS

ADULT MENTAL HEALTH

FUNDING SOURCES & REVENUES	Room & Board w/Supervision			Program Total	Non-State-Funded SAMH Cost Centers	Non-SAMH Cost Center	Total	Total Funding
	Outreach	Residential Level 4	Level 2	FACT				
STATE SAMH FUNDING FROM THE DISTRICT FUNDING CONTRACT NUMBER BHQ13	\$195,038	\$130,730	\$691,819	\$1,254,394	\$5,415,156	\$0	\$6,201,646	\$6,201,646
OTHER GOVERNMENT FUNDING								
Other State Agency Funding	0	0	0	2,451	2,451	0	2,451	103,707
Medicaid	0	0	0	0	6,407,859	0	6,411,555	6,411,555
Local Government	0	0	0	0	572,700	0	770,297	770,297
TOTAL OTHER GOVERNMENT FUNDING	0	0	0	2,451	6,983,010	0	7,184,303	7,285,559
OTHER REVENUES								
First & Second Party Payments	0	40,583	126,172	0	211,936	319,620	533,705	533,705
Third Party Payments (Other Than Medicare)	0	0	0	0	57,468	231,648	362,294	362,294
Medicare	0	0	0	0	275,001	1,957,827	2,232,828	2,232,828
Other	0	0	0	0	0	0	0	301,865
In-kind Donations	0	0	6,998	0	40,603	971	71,976	74,041
TOTAL OTHER REVENUES	0	40,583	133,170	0	585,008	2,510,066	3,200,803	3,504,733
TOTAL FUNDING	\$195,038	\$171,313	\$824,989	\$1,256,845	\$12,983,174	\$2,510,066	\$16,586,752	\$16,991,938

STATE SAMH FUNDING FROM THE DISTRICT FUNDING CONTRACT NUMBER BHQ13

OTHER GOVERNMENT FUNDING

Other State Agency Funding

Medicaid

Local Government

TOTAL OTHER GOVERNMENT FUNDING

OTHER REVENUES

First & Second Party Payments

Third Party Payments (Other Than Medicare)

Medicare

Other

In-kind Donations

TOTAL OTHER REVENUES

TOTAL FUNDING

STATE-DESIGNATED SAMH COST CENTERS  
STATE SAMH-FUNDED COST CENTERS  
ADULT MENTAL HEALTH

EXPENSE CATEGORIES	Room & Board			Program		Non-State- Funded SAMH		Non-SAMH		Total	
	Outreach	Residential Level 4	Supervision Level 2	FACT	Total	Total	Cost Centers	Cost Center	Administration	Total Expenses	Total
<b>PERSONNEL EXPENSES</b>											
Salaries	\$113,523	\$38,816	\$231,213	\$564,155	\$5,636,087	\$6,076,960	\$974,042	\$0	\$1,313,366	\$8,364,368	
Fringe Benefits	36,905	15,394	83,552	182,906	1,833,986	1,951,383	264,499	0	444,607	2,660,489	
<b>TOTAL PERSONNEL EXPENSES</b>	150,428	54,210	314,765	727,061	7,470,073	8,028,343	1,238,541	0	1,757,973	11,024,837	
<b>OTHER EXPENSES</b>											
Building Occupancy	14,105	98,118	63,920	51,758	1,077,091	1,173,896	182,024	0	303,940	1,659,860	
Professional Services	3,427	0	14,877	2,383	557,436	609,111	257,668	71,188	250,288	1,188,255	
Travel	4,158	0	0	3,275	91,404	91,708	1,478	0	11,342	104,528	
Equipment	1,298	3,060	6,955	37,320	191,948	201,923	40,823	13,589	281,380	537,715	
Food Services	330	113	84,539	6,570	327,822	399,274	107,276	0	14,999	521,549	
Medical and Pharmacy	119	49	3,790	462	408,009	486,659	169,114	0	16	655,789	
Insurance	3,797	4,360	11,450	29,481	314,470	363,013	89,885	2,979	46,146	501,023	
Interest Paid	0	0	0	8,142	39,942	39,942	0	0	17,677	57,619	
Operating Supplies & Expenses	9,053	8,598	27,540	17,392	328,958	359,809	104,296	33,238	331,334	828,677	
Other	2,934	8,127	9,954	247,692	583,464	588,387	203,007	0	43,514	834,908	
Donated Items	0	0	200	0	27,557	50,480	0	0	0	50,480	
<b>TOTAL OTHER EXPENSES</b>	39,221	122,425	223,225	404,475	3,948,101	4,363,202	1,155,571	120,994	1,300,636	6,940,403	
<b>TOTAL PERSONNEL &amp; OTHER EXPENSES</b>	189,649	176,635	537,990	1,131,536	11,420,174	12,391,545	2,394,112	120,994	3,058,609	17,965,260	
<b>DISTRIBUTED INDIRECT ADMINISTRATIVE COSTS</b>	49,795	37,009	111,640	233,984	2,381,771	2,578,624	479,985	0	(3,058,609)	0	
<b>TOTAL ACTUAL OPERATING EXPENSES</b>	239,444	213,644	649,630	1,365,520	13,801,945	14,970,169	2,874,097	120,994	0	17,965,260	
<b>LESS UNALLOWABLE COSTS</b>	10,419	11,793	26,823	37,750	720,876	755,328	269,877	53,609	0	1,078,814	
<b>TOTAL ALLOWABLE OPERATING EXPENSES</b>	\$229,025	\$201,851	\$622,807	\$1,327,770	\$13,081,069	\$14,214,841	\$2,604,220	\$67,385	\$0	\$16,886,446	

See independent auditor's report.

STATE-DESIGNATED SAMH COST CENTERS

STATE SAMH-FUNDED COST CENTERS

ADULT MENTAL HEALTH

EXPENSE CATEGORIES	Room & Board		Residential		Program		Non-State-Funded SAMH		Non-SAMH		Total	
	Outreach	Level 4	Level 2	FACT	Total	Total	Cost Centers	Total	Cost Center	Administration	Total Expenses	Total Expenses
<b>PERSONNEL EXPENSES</b>												
Salaries	\$127,768	\$42,345	\$228,549	\$563,970	\$5,237,057	\$5,670,058	\$981,450	\$6,651,508	\$0	\$1,245,674	\$7,897,182	\$7,897,182
Fringe Benefits	49,016	16,638	83,832	166,402	1,692,310	1,810,211	273,703	2,083,914	0	411,214	2,495,128	2,495,128
<b>TOTAL PERSONNEL EXPENSES</b>	<b>176,784</b>	<b>58,983</b>	<b>312,381</b>	<b>730,372</b>	<b>6,929,367</b>	<b>7,480,269</b>	<b>1,255,153</b>	<b>8,735,422</b>	<b>0</b>	<b>1,656,888</b>	<b>10,392,310</b>	<b>10,392,310</b>
<b>OTHER EXPENSES</b>												
Building Occupancy	13,244	112,692	71,606	50,716	993,146	1,075,717	195,882	1,271,599	0	315,445	1,587,044	1,587,044
Professional Services	472	17	12,802	3,274	613,020	688,086	294,377	982,463	49,304	203,651	1,235,418	1,235,418
Travel	5,844	0	12	2,859	104,314	104,796	1,167	105,963	0	13,333	119,296	119,296
Equipment	3,586	4,981	15,134	40,360	250,272	260,831	44,804	305,635	13,647	297,359	616,641	616,641
Food Services	430	99	98,487	4,200	311,158	387,645	118,004	505,649	0	16,420	522,069	522,069
Medical and Pharmacy	84	147	9,420	102,476	449,985	556,945	166,856	723,801	0	195	723,996	723,996
Insurance	3,122	2,866	6,819	18,750	161,098	189,763	60,918	250,681	2,582	58,741	312,004	312,004
Interest Paid	0	0	0	4,647	38,734	38,734	0	38,734	0	8,012	46,746	46,746
Operating Supplies & Expenses	11,043	9,821	28,469	158,563	488,416	509,691	90,717	600,408	15,773	295,626	911,807	911,807
Other	582	6,034	2,276	0	177,196	180,414	227,135	407,549	150,067	0	557,616	557,616
Donated Items	0	0	6,998	0	40,603	71,005	971	71,976	2,065	0	74,041	74,041
<b>TOTAL OTHER EXPENSES</b>	<b>38,407</b>	<b>136,657</b>	<b>252,023</b>	<b>385,845</b>	<b>3,627,942</b>	<b>4,063,627</b>	<b>1,200,831</b>	<b>5,264,458</b>	<b>233,438</b>	<b>1,208,782</b>	<b>6,706,678</b>	<b>6,706,678</b>
<b>TOTAL PERSONNEL &amp; OTHER EXPENSES</b>	<b>215,191</b>	<b>195,640</b>	<b>564,404</b>	<b>1,116,217</b>	<b>10,557,309</b>	<b>11,543,896</b>	<b>2,455,984</b>	<b>13,999,880</b>	<b>233,438</b>	<b>2,865,670</b>	<b>17,098,988</b>	<b>17,098,988</b>
<b>DISTRIBUTED INDIRECT ADMINISTRATIVE COSTS</b>												
	50,925	40,120	114,913	228,680	2,175,444	2,372,488	493,182	2,865,670	0	(2,865,670)	0	0
<b>TOTAL ACTUAL OPERATING EXPENSES</b>	<b>266,116</b>	<b>235,760</b>	<b>679,317</b>	<b>1,344,897</b>	<b>12,732,753</b>	<b>13,916,384</b>	<b>2,949,166</b>	<b>16,865,550</b>	<b>233,438</b>	<b>0</b>	<b>17,098,988</b>	<b>17,098,988</b>
<b>LESS UNALLOWABLE COSTS</b>	<b>6,784</b>	<b>9,107</b>	<b>14,629</b>	<b>26,422</b>	<b>434,689</b>	<b>438,807</b>	<b>275,118</b>	<b>733,925</b>	<b>150,067</b>	<b>0</b>	<b>883,992</b>	<b>883,992</b>
<b>TOTAL ALLOWABLE OPERATING EXPENSES</b>	<b>\$259,332</b>	<b>\$226,653</b>	<b>\$694,688</b>	<b>\$1,318,475</b>	<b>\$12,298,064</b>	<b>\$13,457,577</b>	<b>\$2,674,048</b>	<b>\$16,131,625</b>	<b>\$83,371</b>	<b>\$0</b>	<b>\$16,214,996</b>	<b>\$16,214,996</b>

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See independent auditor's report.

**APALACHEE CENTER, INC.**  
**SCHEDULE OF BED-DAY AVAILABILITY PAYMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Program	Cost Center	State Contracted Rate	Total Units of Service Provided	Government or Other State Agencies	Maximum Number of Units Eligible for Payment by Department	Amount Paid for Services by the Department	Maximum \$ Value of Units Eligible for Payment by Department	Amount Owed to Department
Adult Mental Health	Crisis Stabilization Unit	\$291.00	9172	1660	7512	\$2,179,590	\$2,185,992	\$0
Children's Mental Health	Crisis Stabilization Unit	\$291.00	728	0	728	\$211,848	\$211,848	\$0
Adult Substance Abuse	Substance Abuse Detox	\$204.94	4380	1383	2997	\$610,813	\$614,205	\$0
Total Amount Owed to Department								
								<u>\$0</u>

**APALACHEE CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<u>CFDA / CSFA Number</u>	<u>Contract Number</u>	<u>Expended or Fee for Service Agreement</u>
<b><u>FEDERAL:</u></b>			
<b><u>U.S. Department of Health and Human Services</u></b>			
Pass-through from State of Florida Department of Children and Families:			
Community Mental Health Block Grant	93.958	BHQ13	\$ 311,859
Substance Abuse Prevention and Treatment Block Grant	93.959	BHQ13	472,990
Temporary Assistance for Needy Families	93.558	BHQ13	176,882
Projects for Assistance in Transition from Homelessness	93.150	BHQ13	109,580
 Florida Assertive Community Treatment Program			
Community Mental Health Block Grant	93.958	BHP07	53,635
Community Mental Health Block Grant	93.958	BHQ24	53,636
 <b><u>U.S. Department of Agriculture</u></b>			
Pass-through from State of Florida Department of Elder Affairs:			
Child and Adult Care Food Program	10.558	Y4029/Y5029	86,871
 <b>TOTAL FEDERAL AWARDS</b>			<b>\$ 1,265,453</b>
<b><u>STATE:</u></b>			
<b><u>State of Florida Department of Children and Families</u></b>			
Mental Health Program			
Baker Act - Child Services	60.001	BHQ13	\$ 92,157
Baker Act - Adult Services	60.006	BHQ13	917,759
Substance Abuse Detoxification Services for Adults	60.031	BHQ13	2,249
Indigent Psychiatric Outpatient Services	60.039	BHQ13	27,723
Adult Community Mental Health Residential Care	60.050	BHQ13	820,168
Adult Community Mental Health Case Management	60.051	BHQ13	563,839
Adult Community Mental Health Outpatient Services	60.052	BHQ13	593,350
Adult Community Mental Health Community Support Services	60.053	BHQ13	80,063
Children's Mental Health Emergency Stabilization	60.057	BHQ13	205,553
Adult Community Mental Health Emergency Stabilization	60.054	BHQ13	223,944
Community Mental Health Special Project	60.105	BHQ13	1,000,000
 <b><u>State of Florida Department of Children and Families</u></b>			
Florida Assertive Community Treatment Program			
Adult Community Mental Health FACT Teams	60.042	BHQ24	144,623
Medication & Housing Subsidy	60.042	BHP08	109,777
 <b>TOTAL STATE FINANCIAL ASSISTANCE</b>			<b>\$ 4,781,205</b>

**NOTES:**

- (1) The Schedule of Expenditures of Federal Awards and State Financial Assistance was prepared on the accrual basis of accounting.
- (2) The programs do not utilize subrecipients.
- (3) There were no federal awards expended in non-cash assistance.

See independent auditor's report.



Law, Redd, Crona & Munroe, P.A.  
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

August 19, 2005

Board of Directors  
Apalachee Center, Inc.  
Tallahassee, Florida

We have audited the financial statements of Apalachee Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2005, and have issued our report thereon dated August 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Apalachee Center, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Apalachee Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors  
Apalachee Center, Inc.  
Page Two

This report is intended solely for the information and use of the Board of Directors, management, the Auditor General, State of Florida, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Law Redd Crone & Munroe P. A.*  
LAW, REDD, CRONA & MUNROE, P.A.





Law, Redd, Crona & Munroe, P.A.  
Certified Public Accountants

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133 AND FLORIDA SINGLE AUDIT ACT**

August 19, 2005

Board of Directors  
Apalachee Center, Inc.  
Tallahassee, Florida

**Compliance**

We have audited the compliance of Apalachee Center, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State of Florida, Executive Office of the Governor Compliance Supplement* that are applicable to each of its major federal programs and state projects for the year ended June 30, 2005. Apalachee Center, Inc.'s major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedules of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of Apalachee Center, Inc.'s management. Our responsibility is to express an opinion on Apalachee Center, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Florida Single Audit Act*. Those standards, OMB Circular A-133 and the *Florida Single Audit Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about Apalachee Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Apalachee Center, Inc.'s compliance with those requirements.

Board of Directors  
Apalachee Center, Inc.  
Page Two

In our opinion, Apalachee Center, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended June 30, 2005.

#### **Internal Control Over Compliance**

The management of Apalachee Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Apalachee Center, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program and state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *Florida Single Audit Act*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, the Auditor General, State of Florida, federal programs and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
LAW, REDD, CRONA & MUNROE, P.A.

**APALACHEE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**Section I -- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Reportable condition(s) identified not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? No

Reportable condition(s) identified not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs? Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? No

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program</u>
		U.S. Department of Health and Human Services
		Pass-through from State of Florida Department
		of Children and Families
	93.958	Community Mental Health Block Grant
	93.959	Substance Abuse Prevention and Treatment
		Block Grant

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**Section II -- Financial Statement Findings**

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Section III -- Federal Award Findings and Questioned Costs**

We noted no matters involving noncompliance that are required to be reported in accordance with *U.S. Office of Management and Budget Circular A-133*.

**APALACHEE CENTER, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
STATE FINANCIAL ASSISTANCE PROJECTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**Section I -- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Reportable condition(s) identified? No

Reportable condition(s) identified considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

**State Financial Assistance Awards**

Internal control over major projects:

Reportable condition(s) identified? No

Reportable condition(s) identified considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major projects? Unqualified

Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General, Chapter 10.656? No

Management Letter: None issued: there were no items related to state financial assistance that are required to be reported.

Identification of major projects:	<u>CSFA Number</u>	<u>Name of State Project</u>
		State of Florida Department of Children and Families
		Mental Health Program
	60.006	Baker Act - Adult Services
	60.050	Adult Community Mental Health Residential Care
	60.051	Adult Community Mental Health Case Management
	60.052	Adult Community Mental Health Outpatient Services
	60.105	Community Mental Health Special Project

Dollar threshold used to distinguish between Type A and Type B projects: \$300,000

**Section II -- Financial Statement Findings**

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Section III -- State Financial Assistance Findings and Questioned Costs**

We noted no matters related to state financial assistance that are required to be reported in accordance with *Rules of the Auditor General, Chapter 10.656*.

**APALACHEE CENTER, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005**

Federal Programs – None

State Financial Assistance Projects – None